

SECOND SET OF INFORMATION REQUESTS OF
THE DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

D.T.E. 04-1

Respondent: Elizabeth Arangio

Information Request DTE 2-1

- Q. All parties should comment on the nature and magnitude of any potential commodity-cost implications of a shift to a path, rather than slice-of-system, approach to capacity assignment, as raised in Bay State Gas Company's Reply Comments, at p. 6.
- A. KeySpan agrees with Bay State that a change from slice-of-system to path would result in cost inequities causing firm customers to subsidize competitive services and transportation customers would not pay the true value for such services. The shift to a path rather than slice-of-system approach to capacity assignment could have major implications with respect to commodity costs. The principal difficulty in implementing a path approach is because the costs of a specific contract path are unique to that path and, therefore, vary from path to path. In addition to the fixed cost component, there are several variable cost components which factor into the ultimate cost of the gas delivered to the citygate. These include the commodity and fuel charges, as well as the basis differential associated with the specific receipt point of the path. The magnitude of the potential variances between the cost of one path versus another path vary from season to season as well as from day to day. The table below shows the difference in per unit delivered costs for three paths using long-haul Tennessee Gas Pipeline capacity from zones 0 and 1 to zone 6 (New England) for first-of-month priced gas in January 2004 and daily-priced gas on January 1, 2004 and January 15, 2004.

January 2004 [First-of-Month Pricing]:				
Receipt Point	First of Month Index	Fuel %	Commodity Charge	Total Citygate Delivered Price
Zn 1, TGP to Zone 6 TGP	\$6.070	7.820%	\$0.156	\$6.741
Zn 0, 100 Leg TGP to Zone 6 TGP	\$5.830	8.710%	\$0.167	\$6.553
Zn 1, 500 Leg TGP to Zone 6 TGP	\$6.080	7.820%	\$0.156	\$6.752
January 1, 2004 [Gas Daily Pricing]:				
Receipt Point	Gas Daily Index	Fuel %	Commodity Charge	Total Citygate Delivered Price
Zn 1, TGP to Zone 6 TGP	\$5.550	7.820%	\$0.156	\$6.177
Zn 0, 100 Leg TGP to Zone 6 TGP	\$5.345	8.710%	\$0.167	\$6.022
Zn 1, 500 Leg TGP to Zone 6 TGP	\$5.575	7.820%	\$0.156	\$6.204
January 15, 2004 [Gas Daily Pricing]:				
Receipt Point	Gas Daily Index	Fuel %	Commodity Charge	Total Citygate Delivered Price
Zn 1, TGP to Zone 6 TGP	\$5.860	7.820%	\$0.156	\$6.508
Zn 0, 100 Leg TGP to Zone 6 TGP	\$5.280	8.710%	\$0.167	\$5.951
Zn 1, 500 Leg TGP to Zone 6 TGP	\$5.860	7.820%	\$0.156	\$6.514

Commodity cost differences would need to be addressed in a shift from a path, rather than slice-of-system, approach to capacity assignment in order to eliminate inappropriate cost shifting between customers.